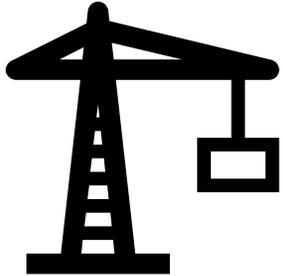




# Stadium and Stadium Reserve

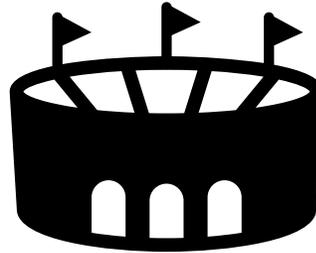
# Stadium Financing Framework

## Construction



- \$1.1 Billion total
- 55% private / 45% public
- Public Share \$498 million
  - State \$348 million (70%)
  - City \$150 million (30%)
- Financed with state issued bonds

## Operations



- Vikings: \$8.5 million starting in 2016, inflated 3% annually
- City: \$6 million starting in 2016, inflated annually at rate of sales tax base growth
  - State retains city sales tax and makes payment each year
  - 2016-20: State made payment on city's behalf without revenue retained
  - 2021-46: state retains revenue each year for payback of 2016-20 advance
- City: "excess" sales tax growth is withheld each year by state and remitted to MSFA. In FY 24 value is \$0.5 million, but will grow in the future.

## Maintenance



- Vikings: \$1.5 million starting in 2016, inflated 3% annually
- City: \$1.5 million starting in 2016, inflated annually at rate of sales tax base growth
  - State retains city sales tax and makes payment each year
  - 2016-20: State made payment on city's behalf without revenue retained
  - 2021-46: state retains revenue each year to cover 2016-20 advance

# City Stadium Finance Obligations

All city obligations were set in Laws 2012, Ch. 299. All city payments are remitted to the state via state retention hospitality tax revenues. The state then makes payments on the city's behalf. **Total City annual cost: \$25 million (FY 2024)**

- **Construction Obligation: \$12.8 million** – for the city's share of construction costs, defined in statute as the net present value of \$150 million, discounted at the bond rate (4.25%) repaid through 2046. The 2021-46 aggregate value of this is **\$333 million**. Recaptured \$27 million to date.
- **Operating and capital reserve payment to stadium: \$9 million** – city obligation of \$6 million for operating and \$1.5 million for capital reserve, grown each year by an inflation factor. Aggregate 2023-46 value: approx. **\$292 million**
- **Payback 2016-20 state advance: \$2.5 million** – retained annually 2021-46 to payback state advances from 2016-20 totaling \$39.5 million to cover city obligations for stadium operating and capital reserve payments. Aggregate 2021-46 value: **\$63.5 million**. Recaptured \$5 million to date.
- **“Excess growth” allocated to MSFA: \$0.5 million (FY 24)** – “Excess growth”, as defined in stadium legislation, that captures a portion of the annual growth in city hospitality taxes and redirects to MSFA. Aggregate 2024-46 value: **unknown, but assuming 3% annual sales tax growth, \$76 million.**

## Revenue

- **Lawful Gambling Tax Revenue:** Total Gambling Tax receipts above \$36.9 million, electronic and paper, allocated to fund state stadium obligations with any remainder deposited in the stadium reserve.
  - \$161 million in lawful gambling tax revenue was available for stadium obligations in FY 2023; expected to grow to \$199 million in FY 2027
- **City Hospitality Sales Tax Revenue:** \$25 million annually (FY 24)
  - **Construction Obligation:** \$12.8 million
  - **Operating and capital reserve payment to stadium:** \$9 million
  - **Payback 2016-20 state advance:** \$2.5 million (*not included in stadium reserve formula*)
  - **“Excess growth” allocated to MSFA:** \$0.5 million in FY 24 (*not included in stadium reserve formula*)

## Spending

- **Debt Service:** \$30.2 million annually. Debt payment for \$462 million in bonds issued in 2014 to cover the \$498 million public share of construction costs (State share is \$348 million or 70%, and city share is \$150 million or 30%).
  - Aggregate cost is \$882 million over 30 years, state and city share these costs based on original \$348/\$150 million construction cost share.
  - Of the aggregate cost, \$462 million is principal and \$420 million in interest.
  - Current outstanding debt is \$388 million, of which \$377 million can be paid off starting in June 2023. Paying off the debt in full would eliminate \$226 million in aggregate interest costs.
  - Paying off debt does not cancel the city's obligation to pay their share of construction costs. City's obligation to pay their construction share runs through 2047. State expects to renegotiate the city's repayment structure if debt is paid off, but can't unilaterally cancel their repayments.

## Spending (Continued)

- **Payment for City obligation for Operating and capital reserve:** FY 24 approximately **\$9 million** for city's current year obligation. Equal to city hospitality tax revenue retained each year for this purpose.
- **Payment to St. Paul for sports facilities grants:** \$2.7 million annually
- **Appropriation for problem gambling programs:** approximately \$ 2 million annually allocated to DHS (1% of tax revenue)

# State Stadium Finance

**Stadium Reserve:** the difference between identified revenues and stadium related spending is deposited into the stadium reserve in the general fund.

<b>Forecast Reserve Balance</b>							
Nov 22 Forecast, \$ in 000s							
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2024-25</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2026-27</u>
Stadium Reserve Beginning Balance	229,397	368,060	520,964	368,060	684,265	854,101	684,265
Annual Reserve Growth	138,663	152,904	163,301	316,205	169,836	176,708	346,544
<b>Stadium Reserve Ending Balance</b>	<b>368,060</b>	<b>520,964</b>	<b>684,265</b>	<b>684,265</b>	<b>854,101</b>	<b>1,030,809</b>	<b>1,030,809</b>

**Stadium reserve uses governed by MS 297E.021 include:**

- Cover shortfall in Mpls Sales Tax Receipts
- Stadium related uses including stadium capital and operating costs, refundings, and prepayment of debt after consultation with LCPFP

# Governors' Recommendation

- **Payoff stadium Debt:** In June 2023, the first opportunity to payoff stadium bonds, fully pay off the \$377 million outstanding bonds using the stadium reserve and an additional estimated General Fund appropriations of \$24.8 million
- **Fund phase 1 of construction of stadium perimeter:** \$15.7 million in FY 2023 to fund phase 1 of project estimate by MSFA to cost \$53 million in total. Phase 2 would cost \$37.6 million and would complete the west facing perimeter (at stadium main entrance).
- **Forgive MPLS repayment of 2016-2020 advance:** State would forgive remaining annual \$2.5 million payback. Aggregate cost to state/savings to city: \$60 million.
- **Repeal the stadium reserve:** after bond pay off repeal stadium reserve, allowing lawful gambling tax receipts to accrue to the general fund.

# Governors' Recommendation

(GF Impact)	FY 2023	FY 2024	FY 2025	FY 2023-25	FY 2026	FY 2027	FY 2026-27
Payoff Bonds (July 15, 2023)	377,000			377,000			-
Fund Stadium Security Fence Phase 1	15,700			15,700			-
Forgive MPLS Loan Repayment		2,542	2,542	5,084	2,542	2,542	5,084
Debt Service Savings		(30,152)	(30,151)	(60,303)	(30,152)	(30,157)	(60,309)
Repeal Stadium Reserve After Bond Payoff	(368,060)	(152,904)	(163,301)	(684,265)	(169,836)	(176,708)	(346,544)
<b>Total General Fund Bottom Line Impact Cost/(savings)</b>	<b>24,640</b>	<b>(180,514)</b>	<b>(190,910)</b>	<b>(346,784)</b>	<b>(197,446)</b>	<b>(204,323)</b>	<b>(401,769)</b>

# Vikings Obligations

- **Stadium Construction** costs totaled \$1.1 billion, of which the Vikings contributed \$496 million and helped assemble additional private financing of \$122 million, for a total private-public split of 55%-45%
- **Capital Reserve** under statute, in 2016 the Vikings began paying MSFA an annual amount for a stadium capital reserve fund, starting at \$1.5 million annually and increasing by a 3% annual inflation rate
- **Operations** under statute, in 2016 the Vikings began paying MSFA an annual amount towards stadium operating expenses, starting at \$8.5 million annually and increasing by a 3% annual inflation rate